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SUPREME COURT, U. S.

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**In the Supreme Court of the  
United States**

OCTOBER TERM, 1965

No. ~~1-8-8~~ 214

THE FLEISCHMANN DISTILLING CORPORATION, a corporation, and JAMES BUCHANAN & COMPANY, LIMITED,

*Petitioners,*

vs.

MAIER BREWING COMPANY, a corporation,  
and RALPHS GROCERY COMPANY, a corporation,

*Respondents.*

**Petition for Writ of Certiorari to the United States  
Court of Appeals for the Ninth Circuit**

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No. ....

THE FLEISCHMANN DISTILLING CORPORATION, a corporation, and JAMES BUCHANAN & COMPANY, LIMITED,

*Petitioners,*

vs.

MAIER BREWING COMPANY, a corporation,  
and RALPHS GROCERY COMPANY, a corporation,

*Respondents.*

## Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

The Fleischmann Distilling Corporation ("Fleischmann") and James Buchanan & Company, Limited ("Buchanan") pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit entered on March 16, 1966.

### OPINION BELOW

The opinion of the Court of Appeals does not yet appear in the Federal Reporter but is reported in 149 U.S.P.Q. 89 and is



printed as an appendix to this petition.<sup>1</sup> There is no opinion by the District Court on the phase of the case now presented. Earlier opinions relating to the issue of trademark infringement are reported in 196 F.Supp. 401 (1961), *rev'd* 314 F.2d 149 (1963), *cert. denied*, 374 U. S. 830 (1963).

### **JURISDICTION**

As the decision of the Court of Appeals was entered March 16, 1966, this petition is timely. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

### **QUESTIONS PRESENTED**

1. a) In a suit in equity under the Lanham Act to enjoin trademark infringement, is a federal court without power in any circumstance whatever to make an award, against the infringer, of the successful plaintiff's attorney's fees and litigation expenses?

b) Is a federal court's equity power to award attorney's fees limited to a suit wherein a common fund is recovered?

2. If a federal court is not powerless, regardless of the circumstances, to make such an award, is not an award warranted by the circumstances that the infringer has acted knowingly and with deliberate purpose to purloin the good will of the trademark owner and in persistent defiance of the owner's known rights?

### **STATUTE INVOLVED**

The statute involved is § 35 of the Lanham (Trademark) Act, 15 U.S.C. § 1117 (Act of July 5, 1946, c. 540, Tit. VI, § 35; 60 Stat. 439) which provides:

"When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and

1. References in this petition to the opinion are to the pages of the appendix.

1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty."

### STATEMENT

Since almost the beginning of the century petitioner Buchanan and its predecessors have marketed in the United States a Scotch whisky of their blending under the "Black & White" name, registered as their trademark in the United States Patent Office in 1908 and in California in 1911. Petitioner Fleischman has been the sole importer of that whisky into the United States since 1948. In 1956 respondent Maier Brewing Company ("Maier") began to sell to respondent Ralphs Grocery Company ("Ralphs"), and the latter began to resell, beer under the label "Black & White".

After the respondent rejected requests made in 1957 for discontinuance of use of the name "Black and White", Fleischmann as plaintiff and Buchanan as plaintiff in intervention sued in the District Court for trademark infringement under federal and state law and for unfair competition under state law.<sup>2</sup> From a judgment for Maier and Ralphs (196 F.Supp. 401) petitioners appealed.

2. The District Court also had diversity jurisdiction.

The Court of Appeals accepted the trial court's findings that Black & White Scotch whisky was "widely known" and "the leader among Scotch whiskies" and that "in the alcoholic beverage industry the name 'Black and White' has come to mean Scotch whisky" (314 F.2d 149, 151). The Court of Appeals further found that Maier and Ralphs had "deliberately adopted the name" Black & White, that their "only possible purpose could have been to capitalize upon the popularity of the name chosen," that there was "not only a knowledgeable adoption of the name, but also an insistence on continuation of the imitation after notice to stop," and that the "only rational explanation for the insistence on using Black & White was to trade on the other Black & White's good will." (*Id.* at 151, 157-58). The Court of Appeals also held that Maier and Ralphs had acted in bad faith, *i.e.*, that a finding of "good faith" was "clearly erroneous". (*Id.* at 157). The Court of Appeals therefore reversed the judgment and remanded the case to the District Court with directions to enter judgment in accordance with the opinion. A petition for rehearing was denied (*ibid.*), and this Court denied certiorari (374 U.S. 830).

On remand the District Court found and adjudged:

"Without seeking legal advice, and for the purpose of capitalizing upon the popularity of the name thus chosen, defendant Maier deliberately adopted the name 'Black & White' knowing that 'Black & White' was the name and trademark of plaintiff Buchanan, and knowing that this popularity would extend to its product because the public would associate the name 'Black & White' with the long established reliability and meritoriousness of Buchanan's product. Defendants intended to adopt plaintiff Buchanan's 'Black & White' name or mark for the purpose of taking advantage of the aura of good will which surrounded the name, and they deliberately adopted the name with a view to obtaining advantage from the good-will, good name and good trade which Buchanan had built up and expecting that there would be confusion and resultant profit. Defendants

refused to discontinue their use on beer of the name 'Black & White' upon request made before suit filed, and they have knowingly, wilfully and deliberately infringed the said mark 'Black & White' and plaintiffs' rights therein." (2 R. 15, 16)<sup>3</sup>

The judgment then entered by the District Court (1) enjoined respondents from using the name "Black & White", (2) adjudged that petitioners "are entitled to recover from defendants a reasonable amount for attorneys' fees and litigation expenses incurred in this Court, the United States Court of Appeals for the Ninth Circuit and the United States Supreme Court," (3) set a date for a hearing to determine the amount, and (4) ordered an accounting of profits (2 R. 16-18). After a full hearing the District Court fixed the reasonable amount of attorney's fees to be paid as \$60,000. (2 R. 41, 42).

From this award respondents appealed to the Court below. After a submission of nearly 7 months to a panel of that court, the cause was ordered to be reheard by the court *en banc*.<sup>4</sup> Thereafter the court *en banc* dismissed the appeal as premature but suggested that the District Court certify an interlocutory appeal under 28 U.S.C. § 1292(b). This was done, a new appeal was taken (App. 2), and on March 16, 1966 the Court below reversed the award of attorney's fees. It did so on the ground that a federal court is utterly without power under the Lanham Act to make such an award in any circumstances, stating (App. 17):

"We hold that attorney's fees are not recoverable in trademark infringement cases under the Lanham Act, primarily because the Congress has not provided for them."

3. The record brought up to this Court from the court below consists of the several volumes, separately paged. The notation "1 R." refers to Volume One.

4. By virtue of this resubmission *en banc*, Judge Walter Pope, retired, former Chief Judge of the Circuit, who had written the opinion on the first appeal (314 F.2d 149) and was one of the panel of three first hearing the second appeal, did not sit.

## REASONS FOR GRANTING THE WRIT

On a question of wide and general importance, the decision below conflicts with the decisions of all other Courts of Appeals that have passed on precisely the same matter and is in conflict with the basic principles enunciated by this Court about the powers of federal courts in equity. Four other Circuits have considered the power of a court of equity to award to the successful plaintiff, in a trademark infringement case under the Lanham Act, reasonable attorney's fees, and all have sustained the power, as did the Ninth Circuit itself in prior decisions which it now expressly overrules.

### THE FIRST CIRCUIT

*Baker v. Simmons Company*, 325 F.2d 580, 583 (1963):

"... there is more than sufficient authority for the allowance of counsel fees in Lanham Act actions where the defendant is found guilty of fraud and palming-off."

### THE SECOND CIRCUIT

*Admiral Corp. v. Penco, Inc.*, 203 F.2d 517, 521 (1953):

"The permanent injunction and the counsel fees awarded plaintiff were fully justified."

*Maternally Yours v. Your Maternity Shop*, 234 F.2d 538,

545 (1956): "It is now settled that counsel fees may be awarded to the successful litigant in trade-mark infringement cases when there is a finding of fraud."

*Monsanto Chemical Co. v. Perfect Fit Products Mfg. Co.*,

349 F.2d 389, 391 (1965), *cert. denied*, 383 U.S. 942 (1966).

### THE THIRD CIRCUIT

*Century Distilling Co. v. Continental Distilling Corp.*,

205 F.2d 140, 149, *cert. denied*, 346 U.S. 900 (1953):



"It would seem that such expenses [litigation expenses] may be allowed as damages in an infringement suit if there is a showing of fraud."

#### THE SEVENTH CIRCUIT

*Aladdin Mfg. Co. v. Mantle Lamp Co. of America*, 116 F.2d 708, 717 (1941) (Federal Trademark Act of 1905): "Counsel's fees necessitated by the tort have been said in some instances to be recoverable as part of the compensatory damages and in other cases as a part of exemplary damages. As the master's finding of wilful and fraudulent conduct is sustained by the evidence, this sum was recoverable as compensatory damages and hence properly included in the amount recommended by him."

*Keller Products, Inc. v. Rubber Linings Corp.*, 213 F.2d 382, 388 (1954).

#### THE NINTH CIRCUIT

*National Van Lines v. Dean*, 237 F.2d 688, 694<sup>o</sup> (1956): "Since we have found appellee's acts to have been wilful and calculated to trade upon appellant's good will, the latter is entitled to recover its actual and reasonable attorney's fees incurred in this litigation."

*Wolfe v. National Lead Company*, 272 F.2d 867, 873 (1959): "In the light of the judicial determination that the infringement was deliberate and fraudulent, this allowance was proper."

Each of these nine decisions was a trademark case. In all but one, attorney's fees were awarded, the amount ranging as high as \$143,833.00 in the *Baker* case in the First Circuit. The one



exception was *Century Distilling* in the Third Circuit, where the court upheld the power to make such an award but declined to upset the trial court's discretion in denying attorney's fees in the absence of fraud or other grounds for such action (205 F.2d 140, 149). Decisions of two other Circuits are relevant, although not trademark cases, viz.:

#### THE FOURTH CIRCUIT

*United Auto Workers v. American Brake Shoe Co.*, 298 F.2d 212, 215 (1962), *cert. denied* 369 U.S. 873 (1962), where, in upholding the power to award attorney's fees in a suit in equity under the Labor Management Relations Act, the Court relied on federal trademark cases as authority, particularly the very decisions of the Ninth Circuit the latter now rejects.

#### THE SIXTH CIRCUIT

*Hagemeyer Chemical Co. v. Insect-O-Lite Co.*, 291 F.2d 696 (1961), affirming an award of fees where unfair competition but not trademark infringement was found and enjoined.<sup>5</sup>

Acknowledging the square conflict with other Circuits, the Court below reviewed and expressly rejected each of the nine Court of Appeals decisions in trademark cases (App. 9-14), stating (App. 15):

"We conclude, then, that the authorities are neither so old nor so numerous, and particularly that they are not so well considered, as to require that we follow them."

5. In a trademark infringement case in a District Court in the Sixth Circuit attorney's fees and litigation expenses were awarded. *National Dairy Products Corp. v. Willever*, 139 U.S.P.Q. 443 (E.D. Mich. 1963). Fees were also awarded in a trademark infringement case in a District Court in the Fifth Circuit. *Youthform Co. v. R. H. Macy & Co.*, 153 F.Supp. 87, 95 (N.D. Ga. 1957). The question does not seem to have been touched on in any reported opinion of any court in the three remaining circuits.

Of its own two prior decisions, the Court said:

"*Wolfe* \* \* \* is expressly grounded on the Lanham Act and on *National Van Lines*, which does not differentiate, so far as attorney's fees are concerned, between the two grounds [unfair competition and trademark infringement]. Thus *Wolfe* is authority for the award here made,<sup>6</sup> and it makes *National Van Lines* an authority on the same question. We must either follow them, limit or overrule them." (App. 5, 6)

\* \* \* \* \*

"We overrule *Wolfe*, to that extent, and limit *National Van Lines* to its actual holding, as to the correctness of which we express no opinion." (App. 17)

Since every trademark infringement is also an act of unfair competition (*American Auto Ass'n. v. Spiegel*, 205 F.2d 771, 774 (2 Cir.), *cert denied*, 346 U.S. 887 (1953)), and since the present action was based on unfair competition as well as trademark infringement (see p. 3 and fn. 2) this disposition of the matter by the Court leaves a lacuna in its reasoning in reversing the award of attorney's fees.

The Court below felt (App. 14) that the only sound decision was Judge Manton's in *Gold Dust Corp. v. Hoffenberg*, 87 F.2d 451 (2d Cir. 1937). But that decision rested on the assertion that a court may no more award attorney's fees in equity than at law, which is directly contrary to what this Court held two years later in *Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161 (1939), and reaffirmed in *Vaughan v. Atkinson*, 369 U.S. 527 (1962).

6. This statement recognizes that the word "fraud", which appears in some of these opinions, as it does in *Wolfe* itself, merely connotes conduct intentionally designed to trade upon the good will of the trademark owner, exactly the conduct found to exist in this case (p. 4, *supra*). See, e.g., *National Van Lines v. Dean*, 237 F.2d 688, 694 (9 Cir. 1956), and *Century Distilling Co. v. Continental Distilling Corp.*, 205 F.2d 140, 145 (3 Cir.), *cert. denied*, 346 U.S. 900 (1953). Attorney's fees have been allowed where the case was so close that an award of punitive damages by the District Court was reversed. *Keller Products, Inc. v. Rubber Linings Corp.*, 213 F.2d 382, 387-88 (7 Cir. 1954).

The Court of Appeals for the Second Circuit itself said in *Maternally Yours v. Your Maternity Shop*, 234 F.2d 538, 545 (1956), that it had long since overruled the *Gold Dust* case.

The Court below rested its disagreement with all the other decided cases primarily on the premise that the Lanham Act makes no provision for an award of attorney's fees. But this is an erroneous premise. Although fees are not referred to *ipsisima verba*, Section 35 of the Lanham Act (quoted on pp. 2, 3 above) provides that:

"Plaintiff shall be entitled . . . *subject to the principles of equity*, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and, (3) the costs of the action."  
[Emphasis added]

Thereby Congress affirmed the power of a federal court to award attorney's fees and litigation expenses in Lanham Act cases. This is so because the "historic equity jurisdiction of the federal courts", of which they were given cognizance by the First Judiciary Act, 1 Stat. 73 (1789), and which they have ever since possessed, includes the "body of remedies, procedures and practices which theretofore had been evolved in the English Court of Chancery", except as modified by Congress. It therefore embraces the allowance of costs, including attorney's fees. This Court so held in *Sprague v. Ticonic National Bank*, 307 U.S. 161, 164 (1939) and in *Vaughan v. Atkinson*, 369 U.S. 527, 530 (1962).<sup>7</sup>

The opinion of the Court below becomes of even more concern to the body of jurisprudence because, stepping beyond trademark cases, it asserts that the historic equity power described in *Sprague* is confined to a case where a plaintiff's efforts have

7. The Lanham Act was enacted just five years after *Aladdin Mfg. Co. v. Mantle Lamp Co. of America*, 116 F.2d 707 (7 Cir. 1941) stated that counsel fees in trademark cases were recoverable (see p. 7, *supra*). It is inconceivable that this principle was repealed *sub silentio* rather than affirmed by the affirmation of the principles of equity.

resulted in recovery of a fund in which others share (App. 16). It confesses that the language in *Sprague* "does indicate a broader power, and could be used to support the power to award fees such as this" (App. 16), but asserts that in fact *Sprague* does not go so far. But *Sprague* plainly said that the case of recovery of a fund was but one example, albeit a common one, that it did not comprise the whole of the power, and that the foundation of the practice "is part of the original authority of the Chancellor to do equity in a particular situation" (307 U.S. at 166). And other Courts of Appeals, after careful examination of what *Sprague* held, have relied on it to support the general power of a federal court in equity to award attorney's fees in cases not involving a common fund. *United Auto Workers v. American Brake Shoe Co.*, 298 F.2d 212, 214 (4 Cir.) cert. denied, 369 U.S. 873 (1962); *Cleveland v. Second Nat'l. Bank & Trust Co.*, 149 F.2d 466, 469 (6 Cir.), cert. denied, 326 U.S. 775 (1945). In the *United Auto* case, the court notes that the rationale of *Sprague* "has found application in a variety of situations in subsequent cases," and cites the trademark and unfair competition cases as prime examples (298 F.2d at 214-15).

The Court below relies greatly (App. 7) on a supposed contrast of the Lanham Act with the Patent Code, in that the patent statutes provide, *ipsissima verba*, for award of attorney's fees in patent infringement cases (35 U.S.C. § 285).<sup>8</sup> Citing *Teese v. Huntingdon*, 64 U.S. (23 How.) 2, 8-9 (1859) and *Philp v. Nock*, 84 U.S. (17 Wall.) 460 (1873), patent cases in which it was held that fees could not be awarded, the Court below asserts that it is "almost incredible, that none of the other [trademark] cases [allowing attorney's fees] . . . even mentions . . . *Teese v. Huntingdon* and *Philp v. Nock* . . ." (App. 9, 14, 15). But the Court fails to remark that *Teese v. Huntingdon* and *Philp*

8. First enacted, 60 Stat. 778.

*v. Nock* were not equity cases but actions at law for damages, tried by a jury, and that all this Court held was that "Counsel fees are not a proper element for the consideration of the jury in the estimation of damages in actions for the infringement of a patent right" (64 U.S. at 8; see also, 84 U.S. at 462). The patent statute allows attorney's fees even in an action at law (*Fischer & Porter Co. v. Brooks Rotomotor Co.*, 86 F.Supp. 502 (E.D. Pa. 1949)). The patent right is an exception to the policy against monopoly, it is purely a creature of statute, and the remedies for its vindication are what Congress prescribes. But a trademark is a mark of identification, of individuality. It is not a creature of Congress but is rooted in equitable principles. The remedies for its vindication spring from that body of Chancery practices imported by the Judiciary Act, and the trademark right is enforced as much for the protection of the public as the protection of the owner. Nothing in the patent history detracts from the inherent power of a court of equity in a trademark case.

The decision of the Court below subverts the power of federal courts of equity in every kind of suit. But even as respects a federal court's power to allow attorney's fees in a suit to enjoin a trademark infringement, the conflict among the Circuits that this decision creates should be resolved, for the question is of wide and general concern. As likely as not, a trademark infringer is larger and wealthier than the trademark owner and may rely on its longer purse to protect its piratical actions by drowning a plaintiff in the costs of litigation. In this age of massive use of communications, an enterprise may have as much invested in advertising and producing good will as in physical equipment. Good will may be its greatest property. With sensitive appreciation of this fact, until the present decision *all* courts having had occasion to deal with the precise question have recognized that adequate protection of this property against a deliberate purloiner warrants inclusion of reasonable attorney's fees and litiga-



tion expenses in the assessment of damages in a proper case. A denial of any power to award counsel fees may deter proper infringement litigation, which not only vindicates the rights of trademark owners but also protects the public from confusion and deception.

In *Vaughan v. Atkinson*, 369 U.S. 527 (1962), an award of attorney's fees was upheld as part of the damages in a suit for maintenance and cure because defendant's "callous" attitude and "recalcitrance", its "willful and persistent" default, forced the plaintiff to hire a lawyer and go to court to protect his rights. These are the very circumstances so often found in trademark infringers that have impelled the courts to award attorney's fees in trademark cases.

### CONCLUSION

This case presents a square conflict among the Circuits on the question of the powers of a federal court of equity. That question, we submit, should be resolved by this Court. Since the Court below held that power to award attorney's fees in trademark litigation under the Lanham Act does not exist in any circumstances, we have confined this petition in the main to the question of power. We reserve more detailed consideration of the circumstances warranting an award to our brief following grant of the writ.

We respectfully submit that the writ should be granted.

Dated: San Francisco, California, June 6, 1966.

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(Appendix Follows)